



## A philosophy of productivity

**T**he most recent figures for productivity growth during the April–June period did not excite anyone at 1.8%, and unit labor costs rose an uncomfortable 4.2%, marking a five-year high. These figures broke the trend of higher productivity and lower labor costs in the USA. Certainly the ups and downs of productivity and unit labor costs deserve our attention (and I have dutifully reported these numbers in my earlier columns). It is difficult, however, to judge the strength and direction of productivity's benefits when statistics gyrate without a discernible and consistent pattern. Decade-long trends are informative, but these are more useful to the economic historian than to policymakers who are under constant pressure to boost economic growth and quality of life indicators quickly.

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Policymakers need more than an array of statistical profiles to set in motion a viable productivity movement. They would benefit most from a philosophy of productivity that would carry them through short-term setbacks and guide them in meeting their nation's long-term economic aspirations. Can the US experience help others in formulating an effective productivity strategy? The answer is “perhaps.”

There is no centrally directed productivity movement in the USA. The American effort is primarily the ad hoc function of the private sector. The US government provided an initial push with the establishment of the land-grant college system in the mid-1800s. Those colleges acted as the tech-



nical centers for agriculture and mechanical engineering. They continue to serve about 20% of the college population with 70% of the cost paid by the government. Government support for business, however, has always been a contentious issue and concerns over productivity and increased use of technology have traditionally fallen to the entrepreneur. The US government was viewed as incapable of keeping up with the dynamism of the private sector. As long as technical progress and economic growth were sailing smoothly, the government was viewed as a well-intentioned bystander. The Great Depression of the early 1930s nudged Americans closer to government dependence, but the government was still considered to be the provider of last resort.

Therefore it is not surprising that support and expertise for the US productivity movement have remained primarily in the private-sector domain. More recently, universities have tried to increase their relevance to business and to the productivity effort, but government-supported universities have been challenged in these efforts by the private sector, which objects to this government-subsidized competition. The nongovernmental productivity movement in the USA is multifaceted and responds to market incentives. Its expertise is available to those firms willing to shoulder the considerable cost of hiring consultants and devote valuable time to mastering current productivity techniques. Most efforts by US productivity centers today are committed to reinforcing Six Sigma principles and lean

enterprises, in other words, reducing defects, increasing quality, reducing costs, and serving the customer more efficiently. Global competition continues to push productivity to the top of the US business agenda and has revitalized America's efforts to develop and employ the latest and most effective productivity strategies.

America's enviable productivity record is, therefore, not so much the result of a well-formulated, government-led effort, but the result of a shared set of values inherent in the business and economic mindset. Those shared values constitute a philosophy that benefits productivity and when combined with productivity techniques such as lean enterprises and Six Sigma can generate solid productivity growth. What might be these “softer” components of the USA's successful productivity performance?

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First is social openness. The more open a society is, the more impressive will be the rewards of productivity. This openness depends on gender equality, social mobility, and universal education. The human resources required to carry the burden of productivity efforts must also be productivity's primary beneficiary. Second is society's respect for and commitment to education and training. The US educational system has a strong democratic tradition and distributes rewards for meritorious effort regardless of social standing. Third is the relative honesty and transparency in business/government relations. Collusion between government and busi-

ness at the expense of efficiency stifles free markets and competition and can be a significant obstacle to the expression of the human spirit and creativity so necessary to productivity. Fourth is a strong legal framework for business transactions. This framework provides consistency and predictability, allowing business to focus on what it does best, i.e., production and service.

Fifth is the admiration of those who take risks and spearhead innovation. The folk heroes of American business are the innovators who saw opportunity despite tremendous odds. Thinking big and overcoming obstacles on the way to financial success became the ethos of the American business community. The universal appeal of rewarding risk takers brought to the USA some of the world's best talents. Sixth is a global perspective. Walt Disney was ahead of his time with his vision of "It's a Small, Small World." The opening of Disneyland in Hong Kong this September underscores the wide acceptance of global partnerships. Japanese terms and concepts can be found throughout the productivity literature. Teams of consultants from Europe, Asia, and the USA jet from country to country spreading the lessons of productivity. The US business community and universities have shown the capacity to transcend national boundaries, creating a comfortable and collegial atmosphere for creative minds.

Productivity is greater than the sum of its parts. No doubt the parts are important, but it is the holistic nature of productivity and the resulting synergy that give productivity the ability to improve our lives and reward our labor. The components of productivity—social openness, hard work, educational opportunity, government transparency, legal certainty, innovation, and a global outlook—are not unique to any one country. They do require, however, continued recognition and nurturing. In this respect, the APO and the NPOs have served the Asia-Pacific region admirably. 🌀

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